

# Annual statement regarding governance of the Defined Contribution Section and Additional Voluntary Contributions (AVCs) Section of the DB (UK) Pension Scheme's (the "Scheme")

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustees to prepare an annual statement regarding governance and include this in the annual Trustees report and accounts. The governance requirements apply to all defined contribution ("DC") pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement issued by the Trustee covers the period from 1 January 2023 to 31 December 2023 and is signed on behalf of the Trustee by the Chair.

This statement covers governance and charge disclosures in relation to the following:

1. The default arrangement(s)
2. Net investment returns
3. Member borne charges and transaction costs
  - i. Default arrangement
  - ii. Self-select funds
  - iii. Additional Voluntary Contributions
  - iv. Illustrations of the cumulative effect of these costs and charges
4. Value for Members assessment
5. Processing of core financial transactions
6. Trustee Directors knowledge and understanding

Throughout this statement, there are references to the AVC and Bankers Trust Sections:

- The AVC Section relates to Additional Voluntary Contributions (other than AVCs transferred into the Scheme from the Bankers Trust UK Pension Plan), and include contributions paid to the Scheme in respect of the member as a result of a salary sacrifice made by a member under the employer's flexible benefit arrangement.
- The Bankers Trust Section relates to the Defined Contribution Section and legacy AVCs transferred into the Scheme from the Bankers Trust UK Pension Plan.

The Trustee has made this statement accessible online at the following address:

<http://pensioninformation.aon.com/deutschebank>

## 1. The default arrangement

**The Trustee is required to design the default arrangement in members' interests and keep it under review. The Trustee needs to set out the aims and objectives of the default arrangement and take account of the level of costs and the risk profile that are appropriate for the Scheme's membership.**

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangements. The default arrangements are primarily provided to enable the Trustee to invest funds held in respect of members for whom they have no current investment instructions .

The objective of the default arrangements is defined in the Scheme's Trust Deed and Rules as "an Investment Vehicle with an investment objective which aims to preserve capital whilst aiming

to provide a return on investments similar to that which might be achieved on cash deposits in a bank or building society or money market funds".

In selecting the default arrangements, the Trustee has regard for the aim to provide capital preservation whilst achieving cash deposit returns before the application of charges.

The default arrangement for the AVC Section of the Scheme over the duration of the Scheme year to 31 December 2023 was the Standard Life Money Market Pension Fund ("the Money Market Pension Fund") which was initially adopted as the Scheme's default arrangement on 24 March 2016. The default arrangement for the Bankers Trust Section was changed during the year from the Standard Life Money Market Pension Fund to the Standard Life Deposit and Treasury Pension Fund following the closure of the Standard Life Money Market Fund on the Trustee Investment Platform ('TIP') on which the funds accessed by the Bankers Trust Section.

Details of the objectives and the Trustee's policies regarding the default arrangements can be found in the 'Statement of Investment Principles' (SIP). The Scheme's SIP is attached, however the aims are set out here for ease of reference:

- To make available a range of pooled funds in which members of the Scheme are able to invest;
- To make available a sufficient range of asset classes which the Trustee believes will enable members to invest in a manner which reflects their attitude to risk and proximity to retirement; and
- The Trustee's objectives regarding the default arrangements are to aim to provide capital preservation whilst achieving cash deposit returns before the application of charges.

#### **Investment strategy review**

The default arrangement for the AVC Section was last reviewed in June 2022 and a separate review was carried out for the Bankers Trust Section at the same time as part of the Trustee's commitment to review the default arrangement every three years.

The AVC review looked at both the performance and cost aspects of the Money Market Pension Fund relative to the Trustee's objectives and the default arrangement's investment objectives. Additionally, the review considered the membership profile of the AVC Section and whether a fund targeting cash-like returns would be appropriate. Following the review, the Trustee agreed that the Standard Life Money Market Pension Fund continued to be an appropriate default arrangement.

A separate review was carried out for the default arrangement of the Bankers Trust Section. In June 2022, the previous default fund, the Standard Life Money Market Pension Fund, was closed for investors accessing this fund through Standard Life's TIP. As a result, a comprehensive review was undertaken to determine the suitability of a new default arrangement. Having received advice, the Trustee agreed to adopt the Standard Life Deposit and Treasury Fund as the Section's new default arrangement due to its similar characteristics to the Standard Life Money Market Fund.

The next formal review is due to take place during 2025.

#### **Specified performance based-fees**

Where a fee is calculated by reference to the returns from investments held by the Scheme and is not calculated by reference to the value of the members' rights under the Scheme, the Trustee must state the amount of any such performance-based fees in relation to each default arrangement.

During the Scheme Year there have been no specified performance-based fees.

## Performance Monitoring

The Trustee receives annual investment monitoring reports from its investment advisers that cover both the AVC and Bankers Trust Sections. These reports provide performance analysis of both the default arrangement as well as the alternative investment arrangements in which members are invested, allowing the Trustee to determine whether the default arrangement and alternative funds continue to perform in line with their intended objectives. Performance of the funds is reviewed against ABI Sector comparators.

Overall, the Trustee was satisfied that the current investment arrangements that are open to new contributions, which includes the default arrangement, were performing broadly as expected and in line with the aims and objectives as set out in the SIP.

Although the Trustee reviews the investments within the Scheme on an annual basis, with the support of its investment advisers, the Trustee has addressed a number of events that impacted the Scheme's underlying investments throughout the year including:

- Fund closure of the abr dn Life UK Smaller Companies Fund, abr dn Life Sterling Inflation Linked Bond Fund, and abr dn Life Sterling Long Dated Government Bond Fund.
- Merger of the abr dn Corporate Bond Fund into the abr dn Sterling Corporate Bond Fund.

## Default arrangement asset allocation

The Trustee is required to disclose the full asset allocations of investments for each default arrangement. The table below shows the percentage allocated in the default arrangements to specified asset classes over the year to 31 December 2023.

The specified asset classes are:

### Bankers Trust UK Pension Plan

Asset class	Average asset allocation over year to 31.12.2023(%)			
	25 years old	45 years old	55 years old	NRA
Cash	100%	100%	100%	100%
Bonds	0%	0%	0%	0%
Listed equities	0%	0%	0%	0%
Private equity	0%	0%	0%	0%
Infrastructure	0%	0%	0%	0%
Property	0%	0%	0%	0%
Private debt	0%	0%	0%	0%
Other	0%	0%	0%	0%

### AVCs

Asset class	Average asset allocation over year to 31.12.2023(%)			
	25 years old	45 years old	55 years old	NRA
Cash	100%	100%	100%	100%
Bonds	0%	0%	0%	0%
Listed equities	0%	0%	0%	0%
Private equity	0%	0%	0%	0%
Infrastructure	0%	0%	0%	0%
Property	0%	0%	0%	0%
Private debt	0%	0%	0%	0%
Other	0%	0%	0%	0%

## 2. Net investment returns

The Trustee is required to report on net investment returns for each default arrangement and for each non-default fund which Scheme members were invested in during the Scheme year. Net investment return refers to the investment returns on funds minus all member-borne transaction costs and charges.

The net investment returns have been prepared having regard to statutory guidance.

It is important to note that past performance is not a guarantee of future performance.

### (i) Default arrangements

The table below discloses the net investment returns for the default arrangement in relation to the Defined Contribution Section and legacy AVCs transferred into the Scheme from the Bankers Trust UK Pension Plan.

Fund Name	Performance to 31 December 2023	
	1 Year (%)	5 Year (% p.a.)
Standard Life Deposit and Treasury Fund	4.6	1.3

Source: Standard Life

The table below discloses the net investment returns for the default arrangement in relation to AVCs (other than AVCs transferred into the Scheme from the Bankers Trust UK Pension Plan).

Fund Name	Performance to 31 December 2023	
	1 Year (%)	5 Year (% p.a.)
Standard Life Money Market Pension Fund	4.2	1.0

Source: Standard Life

The net investment returns over the 1 and 5-year reporting periods for all other funds in which members were invested over the year (across both the AVC and Bankers Trust arrangements) can be found in Appendix 1.

## 3. Member Borne Charges and Transaction costs

The Trustee should regularly monitor the level of charges borne by members through the investment funds. These charges comprise:

- **Charges:** these are explicit, and represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio (TER), or as an Annual Management Charge (AMC), which is a component of the TER;
- **Transaction costs:** these are not explicit, and are incurred when the Scheme's fund manager buys and sells assets within investment funds but are exclusive of any costs incurred when members invest in or sell out of funds.

The Trustee is also required to confirm that the total costs and charges paid by any member in the default arrangements have not exceeded 0.75% p.a, (the charge cap) and produce an illustration of the cumulative effect of the overall costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

### **3.1. Explicit charges**

Information on the explicit charges applicable to the funds offered by the Scheme, including the fund underlying the default arrangement, is communicated to members on a regular basis.

The Total Expense Ratios (TERs) that were applicable to the Scheme's default arrangements during the Scheme year were:

- 0.15% p.a. for the default arrangement in relation to the Defined Contribution Section and legacy AVCs transferred into the Scheme from the Bankers Trust UK Pension Plan; and,
- 0.61% p.a. for the default arrangement in relation to AVCs (other than AVCs transferred into the Scheme from the Bankers Trust UK Pension Plan).

The charges in relation to the default arrangements are dependent on whether the funds are those that were transferred from the Bankers Trust UK Pension Plan or not. The Trustee meets the administration costs directly for those funds that were transferred from the Bankers Trust UK Pension Plan, and so the TER for the Bankers Trust Section is for management of the fund and provisions by the platform provider but does not include administration costs.

The TERs for the Scheme's default arrangements are within the charge cap set by the regulations of 0.75% p.a.

In relation to the Defined Contribution Section and legacy AVCs transferred into the Scheme from the Bankers Trust UK Pension Plan, and in addition to the default arrangement, there are also:

- 22 self-select funds, which may be chosen as an alternative to the default arrangement. These funds attracted TERs of between 0.10% p.a. and 0.80% p.a. of assets under management.
- 47 funds which only allow switches out. These funds attracted TERs of between 0.08% p.a. and 1.60% p.a. of assets under management.
- Further information regarding the TERs for each fund in which members are invested is set out in Appendix 1.

All members that are invested within the Zurich policy hold accumulation-type funds, which are subject to an annual charge of 0.75% p.a. However, this is reinvested in member policies through the addition of units each month. Members invested within the Zurich policy also pay a policy charge of £13.66 per month as at 31 December 2023. This policy charge is applied by reducing the number of units in a member's plan each month and increases with inflation. It should be noted that the Zurich arrangement was closed to further contributions by the Trustee several years ago.

In relation to AVCs (other than AVCs transferred into the Scheme from the Bankers Trust UK Pension Plan), in addition to the default arrangement, there are also:

- 35 self-select funds, which may be chosen as an alternative to the default arrangement. These funds attracted TERs of between 0.10% p.a. and 0.90% p.a. of assets under management.
- 25 funds that only allow switches out. These funds attracted TERs of between 0.32% p.a. and 1.29% p.a. of assets under management.
- Further information regarding the TERs for each fund in which members are invested is set out in Appendix 1.

The Trustee considers the costs and charges of the default arrangement and those self-select options available for new contributions to be appropriate for the size of the Scheme and comparable to charges levied by other providers, based on the annual review of investment arrangements undertaken on 7 December 2023.

### **3.2. Implicit Transaction costs**

Transaction costs are costs which are incurred within the day to day management of the assets by the fund manager. This covers such things as the cost of buying and selling securities within the fund. Transaction costs are incurred on an on-going basis and are implicit within the

performance of the fund. The Trustee requested details of transaction costs for the period 1 January 2023 to 31 December 2023 from the fund providers.

For the purposes of this Chair's Statement, the Trustee has chosen to use a floor of 0% for those funds that possess a negative transaction cost in order to avoid understating the level of costs and charges for any funds that possess a negative transaction cost.

The Transaction costs applicable for the default arrangement for both the AVC and Bankers Trust Section are 0.00% p.a. In addition to the default arrangement, other transaction costs range between:

- 0.00% p.a. and 0.41% p.a. for AVC members
- 0.00% p.a. and 2.06% p.a. for Bankers Trust members
- A full list of applicable transaction costs can be found in Appendix 1.

The requirement to provide details of transaction costs calculated in a standard way is a relatively recent one. It is therefore difficult to carry out a market comparison to provide comfort around the reasonableness of the costs disclosed by the DC fund managers. However, it is evident from the level of transaction costs reported in the tables in Appendix 1, that transaction costs on the index-tracking funds have been negligible over the period.

**3.3. Examples to show the cumulative effect of costs and charges**  
**From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of costs by the trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs.**

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided 5 illustrations of their cumulative effect on the value of typical members' savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future which are set out below.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme, they are not a substitute for the individual and personalised illustrations which are provided to members in their annual Benefit Statements.

Each illustration shows a projection of the member's retirement savings at retirement age, with and without costs applied, assuming they are invested in the default arrangement (the Money Market Pension Fund).

Members are also offered a range of self-select funds which, as the tables in Appendix 1 show, carry a variety of TERs and transaction costs. These funds also have a range of investment risk profiles (i.e. different return expectations). We have therefore shown a comparison against two self-select funds from each Section.

The representative members are set out below;

- **Example member 1:** Member furthest from retirement in the Bankers Trust Section no longer making active contributions, 18 years from retirement with a retirement age of 60 and a current fund value of £3,500.
- **Example member 2:** a typical member in the Bankers Trust Section no longer making active contributions, 4 years from retirement with a retirement age of 60 and a current fund value of £71,000.
- **Example member 3:** member furthest from retirement in the AVC Section making active contributions, 23 years away from retirement with a retirement age of 65 and a current

fund value of £9,000. Contributions are assumed to be 3.3% p.a. based on a current salary of £99,400.

- **Example member 4:** a typical member in the AVC Section currently making active contributions 11 years from retirement with a retirement age of 65 and a current fund value of £65,500. Contributions are assumed to be 9.6% p.a. based on a current salary of £99,400.
- **Example member 5:** a typical member in the AVC Section no longer making active contributions 9 years from retirement with a retirement age of 65 and a current fund value of £65,500.

All projected fund values are shown in today's terms, and do not need to be reduced further for the effect of future expected inflation.

#### Example member 1

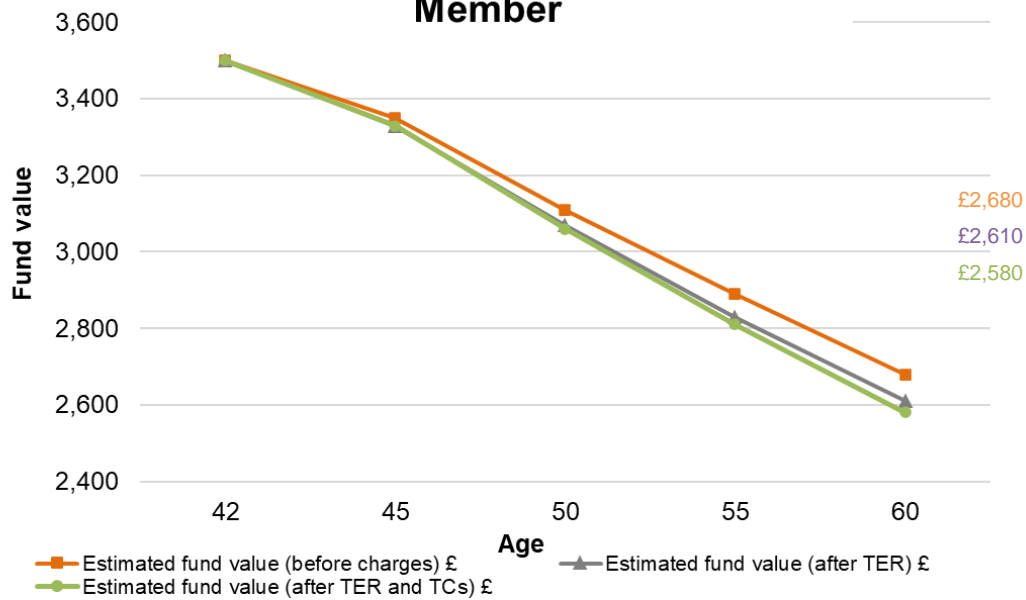
For the member furthest from retirement, invested in the Deposit and Treasury Pension Fund (default arrangement) within the Bankers Trust Section, the estimated impact of charges on accumulated fund values is shown in the table and chart below. The amounts shown relate to the member furthest away from retirement, 18 years from retirement with a retirement age of 60, a current fund value of £3,500.

As the projected fund values are impacted by the level of costs and charges applicable to the fund, we have also projected values of the highest and lowest charging self-select funds. Subsequently, we have included the returns where the example member invested in the highest charging self-select fund (Prudential M&G Property (ex M&G) Fund) and the lowest charging self-select fund (Zurich Fixed Interest Deposit Accumulation Fund).

The projections illustrate that deferred members invested in the Deposit and Treasury Pension Fund and Zurich Fixed Interest Deposit Accumulation Fund will see their fund values fall after the effect of costs and charges due to our inflation assumption being higher than our fund assumptions. Members may want to consider reviewing their fund options if they are invested in these funds to ensure it is appropriate for their personal circumstances.

Projected Pension Account in today's money									
Age	Zurich Fixed Interest Deposit Accumulation Fund			The Deposit and Treasury Pension Fund (Default Arrangement)			Prudential M&G Property (ex M&G) Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
42	3,500	3,500	0	3,500	3,500	0	3,500	3,500	0
45	3,760	3,750	10	3,350	3,330	20	3,350	3,180	170
50	4,240	4,210	30	3,110	3,060	50	3,110	2,710	400
55	4,790	4,730	60	2,890	2,810	80	2,890	2,310	580
60	5,400	5,320	80	2,680	2,580	100	2,680	1,970	710

## Furthest from Retirement Bankers Trust Member



### Example member 2

For a typical member invested in the Deposit and Treasury Pension Fund (default arrangement) within the Bankers Trust Section, the estimated impact of charges on accumulated fund values is shown in the table and chart below. The amounts shown relate to a typical member in the Bankers Trust Section, 4 years from retirement with a retirement age of 60, a current fund value of £71,000 and no further contributions.

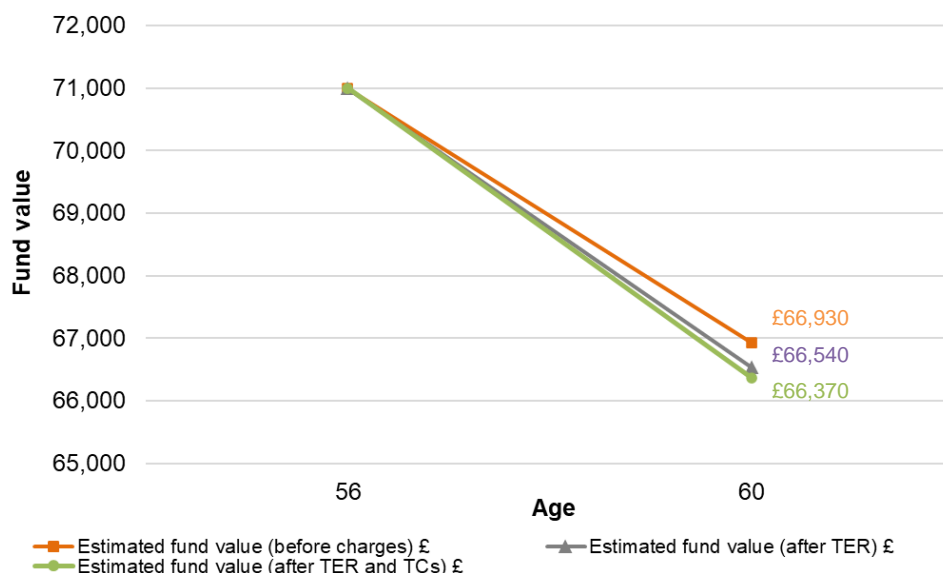
As the projected fund values are impacted by the level of costs and charges applicable to the fund, we have also projected values of the highest and lowest charging self-select funds. Subsequently, we have included the returns where the example member invested in the highest charging self-select fund (Prudential M&G Property (ex M&G) Fund) and the lowest charging self-select fund (Zurich Fixed Interest Deposit Accumulation Fund).

The projections illustrate that deferred members invested in the Deposit and Treasury Pension Fund will see their fund values fall after the effect of costs and charges due to our inflation assumption being higher than our fund assumptions. Members may want to consider reviewing their fund options if they are invested in the default arrangement to ensure it is appropriate for their personal circumstances.

Projected Pension Account in today's money									
Age	Zurich Fixed Interest Deposit Accumulation Fund			The Deposit and Treasury Pension Fund (Default Arrangement)			Prudential M&G Property (ex M&G) Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
56	71,000	71,000	0	71,000	71,000	0	71,000	71,000	0
60	78,180	77,910	270	66,930	66,370	560	66,930	62,490	4,440



## Typical Bankers Trust Member



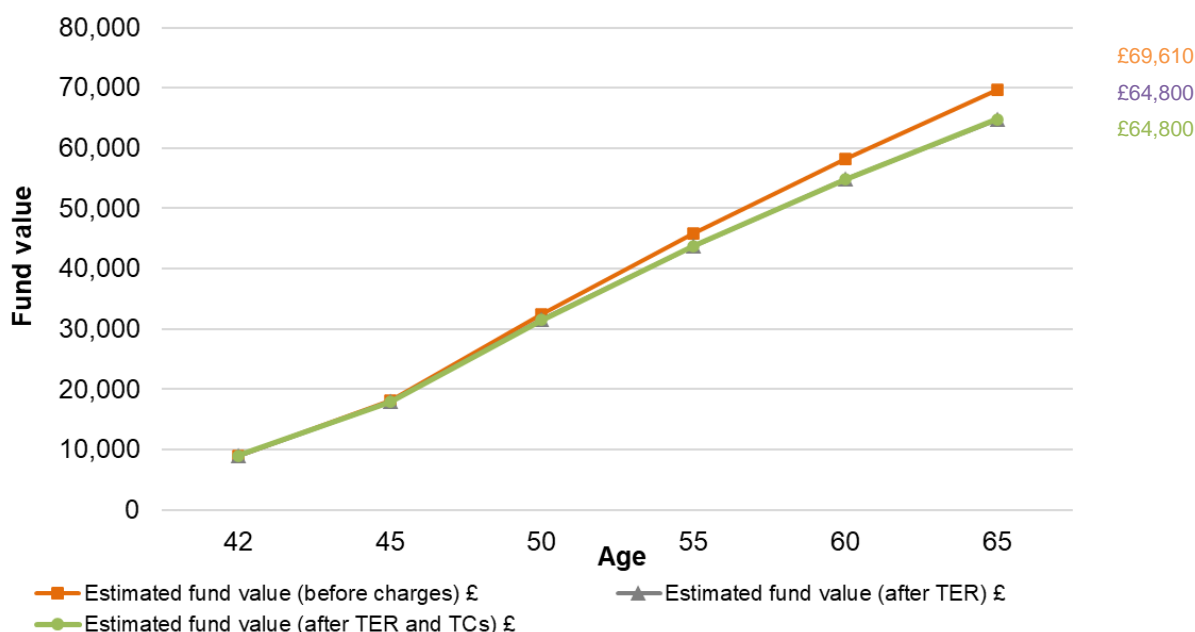
### Example member 3

For the member furthest from retirement invested in the Money Market Pension Fund (default arrangement) within the AVC Section, the estimated impact of charges on accumulated fund values is shown in the table and chart below. The amounts shown relate to an active member who is 23 years from retirement with a retirement age of 65 and a current fund value of £9,000. Contributions are assumed to be 3.3% p.a. based on a current salary of £99,400.

As the projected fund values are impacted by the level of costs and charges applicable to the fund, we have also projected values of the highest and lowest charging self-select funds. Subsequently, we have included the returns were the example member invested in the highest charging self-select fund (the ASI European (ex UK) Equity Pension Fund) and the lowest charging self-select fund (the abrdn Life Sterling Liquidity Pension Fund).

Projected Pension Account in today's money									
Age	abrdn Life Sterling Liquidity Pension Fund			The Money Market Pension Fund (Default Arrangement)			ASI European (ex UK) Equity Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
42	9,000	9,000	0	9,000	9,000	0	9,000	9,000	0
45	18,120	18,080	40	18,120	17,880	240	20,610	20,030	580
50	32,450	32,280	170	32,450	31,500	950	43,620	40,780	2,840
55	45,760	45,410	350	45,760	43,770	1,990	72,150	64,900	7,250
60	58,120	57,540	580	58,120	54,830	3,290	107,500	92,970	14,530
65	69,610	68,750	860	69,610	64,800	4,810	151,340	125,600	25,740

## Furthest from Retirement Active AVC Member



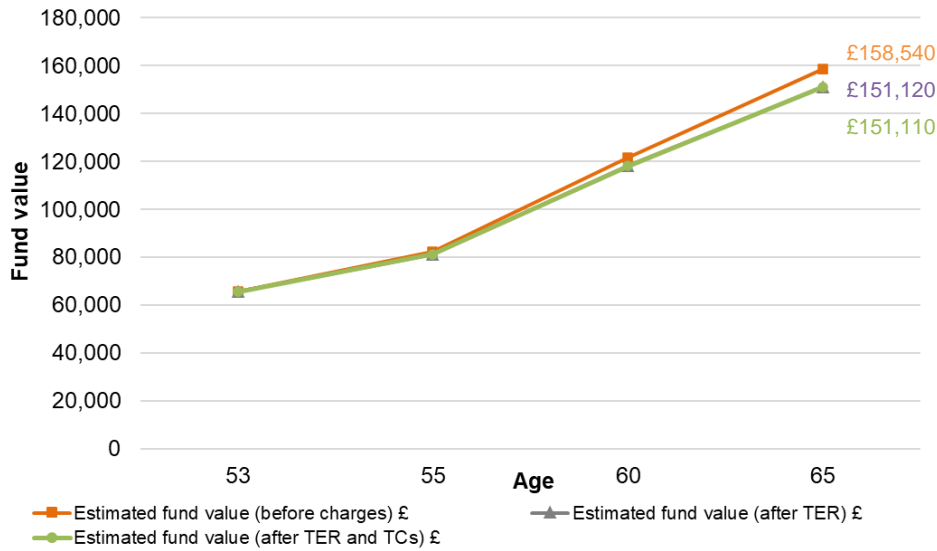
### Example member 4

For a typical active member invested in the Money Market Pension Fund (default arrangement) within the AVC Section, the estimated impact of charges on accumulated fund values is shown in the table and chart below. The amounts shown relate to an active member who is 12 years from retirement with a retirement age of 65 and a current fund value of £65,500. Contributions are assumed to be 9.6% p.a. based on a current, salary of £99,400.

As the projected fund values are impacted by the level of costs and charges applicable to the fund, we have also projected values of the highest and lowest charging self-select funds. Subsequently, we have included the returns were the example member invested in the highest charging self-select fund (the ASI European (ex UK) Equity Pension Fund) and the lowest charging self-select fund (the abrdn Life Sterling Liquidity Pension Fund).

Projected Pension Account in today's money									
Age	abrdn Life Sterling Liquidity Pension Fund			The Money Market Pension Fund (Default Arrangement)			ASI European (ex UK) Equity Pension Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
53	65,500	65,500	0	65,500	65,500	0	65,500	65,500	0
55	82,170	82,020	150	82,170	81,290	880	91,060	89,010	2,050
60	121,760	121,110	650	121,760	118,020	3,740	165,450	154,380	11,070
65	158,540	157,240	1,300	158,540	151,110	7,430	257,670	230,400	27,270

## Typical Active AVC Member



### Example member 5

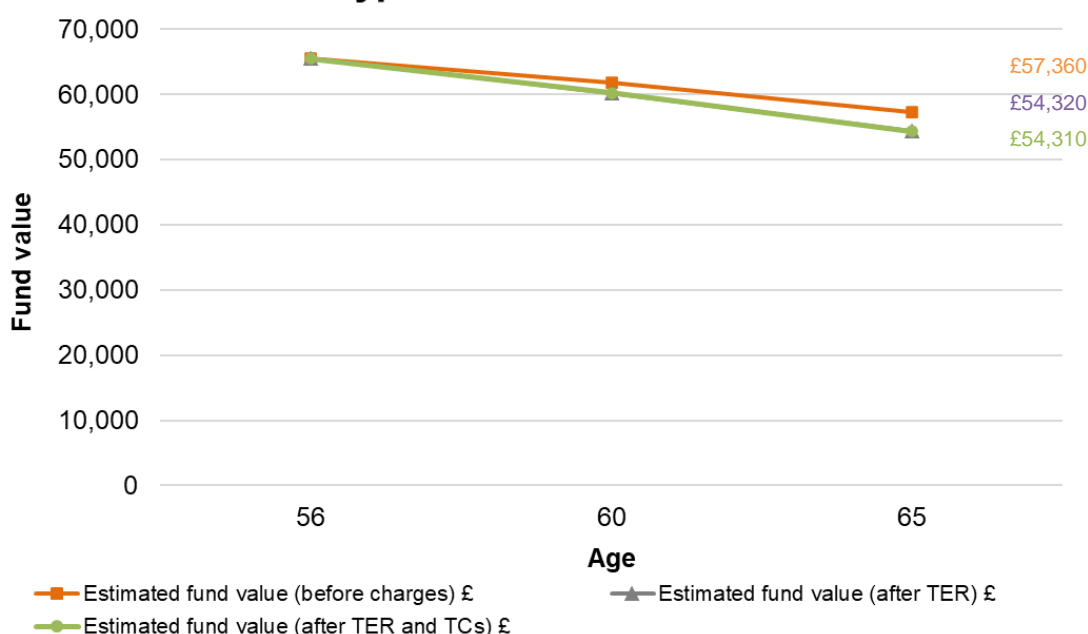
For a typical deferred member invested in the Money Market Pension Fund (default arrangement) within the AVC Section, the estimated impact of charges on accumulated fund values is shown in the table and chart below. The amounts shown relate to a member within the AVC Section who is no longer making active contributions, is 9 years from retirement with a retirement age of 65 and has a current fund value of £65,500.

As the projected fund values are impacted by the level of costs and charges applicable to the fund, we have also projected values of the highest and lowest charging self-select funds. Subsequently, we have included the returns were the example member invested in the highest charging self-select fund (the ASI European (ex UK) Equity Fund) and the lowest charging self-select fund (the abrdn Lifel Sterling Liquidity Pension Fund).

The projections illustrate that deferred members invested in the Deposit and Treasury Pension Fund and ASI Sterling Liquidity Pension Fund will see their fund values fall after the effect of costs and charges due to our inflation assumption being higher than our fund assumptions. Members may want to consider reviewing their fund options if they are invested in these funds to ensure it is appropriate for their personal circumstances.

Projected Pension Account in today's money									
Age	abrdn Life Sterling Liquidity Pension Fund			The Money Market Pension Fund (Default Arrangement)			ASI European (ex UK) Equity Pension Fund		
	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges	Before charges	After charges	Effect of charges
	£	£	£	£	£	£	£	£	£
56	65,500	65,500	0	65,500	65,500	0	65,500	65,500	0
60	61,750	61,490	260	61,750	60,270	1,480	77,780	73,910	3,870
65	57,360	56,830	530	57,360	54,310	3,050	96,420	85,950	10,470

## Typical Deferred AVC Member



### The following assumptions have been made for the purposes of the above illustrations:

- Inflation is assumed to be 2.5% each year.
- No assumption has been made for real salary growth.
- The starting fund values and future contributions used in the projections are representative of the average for the Scheme.
- The projected annual returns on assets, based on statutory money purchase illustration assumptions as at 31 December 2023 are:
  - The Money Market Pension Fund 1.0% p.a.
  - The Deposit and Treasury Fund 1.0% p.a.
  - Zurich Fixed Interest Deposit Fund (Accumulation) 5.0% p.a.
  - Prudential M&G Property (ex-M&G) Fund 1.0% p.a.
  - ASI Sterling Liquidity Fund 1.0% p.a.
  - ASI Multi-Asset Pension Fund 7.0% p.a.
- Contributions are assumed to be fixed at 3.3% and 5.9% each year (for example members 3 and 4, respectively) up to the selected retirement age.
- The majority of transaction costs have been averaged over a 4-year period in line with statutory guidance to reduce the level of volatility, and a floor of 0% pa has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.

Fund	TER (%)	Average Transaction Costs (%)	Total Cost (%)
<b>Bankers Trust Arrangement</b>			
The Deposit and Treasury Pension Fund	0.15	0.06	0.21
Zurich Fixed Interest Deposit Fund (Accumulation)	0.08	0.00	0.08
Prudential M&G Property (ex-M&G) Fund	1.60	0.12	1.82
<b>AVC Arrangement</b>			
The Money Market Pension Fund	0.61	0.00	0.61
abrdn Life Sterling Liquidity Pension Fund	0.10	0.00 <sup>2</sup>	0.10
ASI European (ex UK) Equity Pension Fund	1.29	0.07 <sup>2</sup>	1.36

Source: TERs and Transaction Costs provided from various fund managers

1. Due to the unavailability of historical transaction cost information, we have calculated the 2-year average transaction costs for the Prudential M&G Property (ex. M&G) Fund up to 31 December 2021.
2. Due to the unavailability of historical transaction cost information, we have calculated the 4-year average transaction costs for the abrdn Life Sterling Liquidity Fund and the ASI European (ex UK) Equity Pension Fund.

#### **4. Value for Members assessment**

**The Administration Regulations require the Trustee to make an assessment of charges and transactions costs borne by members and the extent to which those charges and costs represent good value for money for members.**

There is no legal definition of "good value" or the process of determining this for scheme members. Therefore, working in conjunction with our investment advisers, the Trustee has developed their cost-benefit analysis framework in order to make an assessment as to whether our members receive good value from the Scheme relative to the costs and charges they pay.

The Trustee has considered the benefits of membership under the following categories: Scheme governance, investments, administration and member experience and member communications. These are set out below along with the main highlights of their assessment:

##### Costs and Charges

The Trustee has considered the costs and charges associated with the Scheme's investment arrangements in section 3 of this statement.

Overall, members of the Scheme have access to a range of investment options that are open to new investments, which the Trustee has identified as having charges and transaction costs that are both reasonable and good value.

While there are some legacy AVC funds that carry higher charges, the Trustee has closed these specific funds to new contributions and inbound switches as appropriate with the knowledge that members have access to other options that carry lower charges.

##### Investments

The Trustee regards making available a range of suitable investment options to the Scheme's members as the most important aspect of "value for members".

Members of the Scheme have a range of unit-linked funds to select from that vary across fund managers, asset classes, geographical focuses and management styles. Further information regarding the funds in which members are invested into as well as their associated charges and transaction costs are discussed in section 3 of this statement.

A number of members within the Scheme have investments that are associated with some form of guarantee, either in the form of an investment within a With-Profits fund or unit-linked funds that are held by a member entitled to a Guaranteed Minimum Pension (GMP) underpin. Based on recommended guidance from the Department for Work and Pensions (DWP), the Trustee completed separate assessments to determine whether the guarantees associated with the With-Profits funds and the GMP Underpin offer good value to members.

In the case of both With-Profits funds and funds linked to members with an underpin, the Trustee remains confident that the guarantees themselves could be valuable to individual members and contribute to a fund range that provides value holistically. In line with its policies, and the Trust Deed and Rules, the Trustee is comfortable that members are best placed to make decisions on relative value between funds offered within the range and does not intend to take action at this point.

In addition to the assessments discussed above, the Trustee will continue to monitor and review annually the ongoing suitability of these legacy arrangements and to communicate to members any changes that are subsequently made, along with the rationale.

##### Scheme Governance

The Trustee believes in having robust processes and structures in place to support effective management of risks and ensure members interests are protected, increasing the likelihood of good outcomes for members.

These processes were reviewed in some detail when the Scheme's risk register was initially drawn up and are regularly reviewed subsequently. The risk register is formally reviewed every three years, but in practice this is an ongoing, quarterly task which is included as a standing agenda item at Trustee meetings.

Throughout the year, the Trustee discussed various aspects of the Scheme with its investment advisers, ensuring that the Scheme remains in line with regulatory requirements and investments perform as expected. It should also be noted that the Deutsche Bank Pensions Team hold monthly calls with the investment advisers to discuss ongoing governance and investment related projects.

The Trustee also attended regular training sessions, which included topics which are relevant to DC pension schemes, to ensure that the Trustee is made aware of new regulations and investment ideas. Attendance at these sessions is maintained in a training log.

#### Administration

The Trustee believes that good administration and record keeping play a crucial role in ensuring that Scheme members receive the retirement income due to them. In addition, that the type and quality of service experienced by members has a bearing on the level of member engagement.

The Scheme's administrator, Aon, provides quarterly stewardship reports to the Trustee, which includes a breakdown of the administrator's performance relative to the agreed Service Level Agreement (SLA). Further information about the administrator's performance relative to the agreed SLA can be found in section 5.

The administrator is audited by Grant Thornton on an annual basis and receives a 'Report on Controls at a Service Organisation Relevant to User Entities' Internal Control Over Financial Reporting (SOC 1). The external auditor did not find any material failings over the year.

Further information regarding the administrator's processing of core financial transactions as well as their performance relative to the agreed SLA throughout the Scheme year can be found in section 5.

#### Member Communications

The Trustee believes that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.

Under the PLSA PQM standard, the headline requirement is that employees must be provided with initial, ongoing and at retirement communications that are clear and engaging as well as provide the information necessary for members to take decisions about their pension and retirement. The Scheme is well-aligned with this requirement, with members receiving annual benefit statements and biennial communications that highlight the performance of their investments.

The Trustee undertakes a membership communication exercise on a biennial basis. Each member receives a letter that provides a breakdown of their investments as well as their performance over a number of reporting periods. The letter also details all the investments across both the AVC and Bankers Trust Sections. The Trustee also uses the letter as an opportunity to encourage members to review their investments and ensure that they continue to be appropriate for their investment objectives.

Communications are also used by the Trustee to indicate material changes to the Scheme's investment portfolio. Over the course of the Scheme year, the Trustee communicated the following changes to affected members:

- Fund closure of the abrdrn Life UK Smaller Companies Fund, abrdrn Life Sterling Inflation Linked Bond Fund, and abrdrn Life Sterling Long Dated Government Bond Fund.
- Merger of the abrdrn Corporate Bond Fund into the abrdrn Sterling Corporate Bond Fund.

### **5. Processing of Core Financial Transactions**

**The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the investment of contributions, transfer of member funds into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members/beneficiaries.**

The core financial transactions are undertaken on the Trustee's behalf by Aon, who provide the administration services for the DC Section of the Scheme (this includes AVCs). In order to determine how well the administrator is performing the Trustee has service level agreements ("SLA") in place which detail a number of key administration processes to be performed and the target timescale within which each of these processes needs to be completed. The SLA covers:

- Creation and maintenance of member records;
- Forwarding fund election or switch requests to the providers;
- Arranging annual AVC statements to each member;
- Liaising with providers when a member leaves the Scheme to ensure payments are made according to member wishes;
- Receipt and investment of contributions from the employer to the providers; and
- Reconciliation of providers' statements of contributions with Scheme financial records.

The administrator reports to the Trustee on a quarterly basis. The SLA success rate reported by the administrator across each quarter of 2023 for both the AVC and Bankers Trust Sections the combined percentage across the year was 83%, falling below the 95% SLA requirement. As the SLA performance for the year under review was below the agreed target, the Trustee has been holding ongoing discussions with the Administrator with a view to improving administration performance going forward. The Trustee and the Administrator have agreed a strategy to review underlying processes contributing to this performance level as well as plans to reduce the backlog of which emerged during 2023. However, it was noted that the administrator continues to support the Deutsche Bank in-house pensions team with urgent and priority cases. These requests often require multiple quotations and complex benefit options especially if the member's benefits are in excess of the Lifetime Allowance and, by their nature, can result in the SLA being missed. Throughout 2023, the average days outside of SLA for those cases missed was between 4 to 5 days.

The administrator continues to hold monthly meetings with the Deutsche Bank in-house team to discuss ongoing projects and areas of mutual support.

As an additional level of scrutiny, Aon also have an internal reconciliations team who independently carry out monthly checks, in addition to a daily reconciliation of the Trustee bank account.

The fund platform and AVC providers used by the Scheme interact with the administrator in relation to core financial transactions and provide additional information on their processes and transactions as required.

The Trustee has also reviewed the key processes adopted by the administrator and output in order to minimise the risks of inaccurate or late payment of core financial transactions. These key processes include:

- A unit reconciliation conducted on a monthly (in some cases annually) basis with investment managers, which checks that the units held on the administration system are equal to the units held by the investment managers. Any discrepancies are investigated.
- A cash tracker tool which is used on a weekly basis to check the monies coming in and out of the Scheme, and that any monies received that are not invested or paid out are investigated.
- Validation checks are carried out on any data that is loaded on to the administration system.
- A track and trace process to ensure correct member addresses are held on the system.

The Trustee is satisfied that over the Scheme year to 31 December 2023:

- The administrator was operating appropriate procedures, checks and controls and performing adequately with regard to the agreed SLA.
- There have been no material administration errors in relation to processing core financial transactions.
- All core financial transactions have been processed promptly and accurately.

## 6. Trustee Directors' Knowledge and Understanding

**Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as trustees properly.**

The whole Scheme is managed by a Trustee Board which has 8 Trustee Directors. There are 5 Trustee Directors appointed by the Principal Employer, and 3 Member Nominated Trustee Directors. The composition of the Trustee Board is compliant with Regulatory requirements and demonstrates diversification of skills and breadth and depth of pension knowledge. One new Trustee Director joined the Board during the year (18 May 2023).

Upon joining the Trustee Board, all Trustee Directors are required to complete an induction course provided by their pension and legal advisers, which includes a section covering the DC Scheme. New Trustee Directors are also expected to complete the Pension Regulator's Trustee Toolkit within 6 months of being appointed to the Trustee Board.

It should be noted that the Trustee has not made the completion of the Trustee Toolkit compulsory as they believe that the Trustee as a group has sufficient knowledge and experience as well as receiving ongoing development and training from other sources.

All Trustee Directors receive regular training covering a variety of topical areas to further develop their knowledge of new regulations and investment ideas. The Trustee did receive DC-specific training during this Scheme year and the Trustee Directors also attended a number of seminars and training sessions including:

- Credit Default Swap recap session by Aon
- LGPS Governance conference
- Equity Markets, CI Funds

Training logs, which record all relevant training completed by each member of the Trustee Board over the Scheme year, are maintained for each Trustee Director by the Scheme Secretary, Aon.

The Trustee also has arrangements in place to ensure that the Trustee Directors take personal responsibility for keeping themselves up-to-date with relevant developments and carry out a self-assessment of training needs annually to determine training requirements for the next Scheme year.

An evaluation of the performance and effectiveness of the board is monitored as part of an ongoing process.

In exercising their functions as a Trustee Board, each Trustee Director is knowledgeable of the key Scheme documents which include the Trust Deed & Rules, Trustee Report & Accounts and Statement of Investment Principles. The Trustee Directors are also familiar with the law relating to pensions and trusts through reviewing the risk register in December 2023.

The Trustee commenced its 2023 Task Force on Climate Related Financial Disclosure ("TCFD") report which includes a review of the Scheme's material Fund's climate-related risks and opportunities.

The Trustee has engaged with its investment adviser regularly throughout the Scheme year, receiving specialist advice as well as updates on legislation, guidance and best practice developments to ensure it continues to operate effectively. Over the course of the year, the following activities were undertaken by the Trustee with support of their investment adviser:

- A review of the funds in which members across both the AVC and Bankers Trust Arrangements are invested within. This review included an in-depth analysis of each fund manager as well as a breakdown of each individual fund's net performance, total expense ratio and assets under management.
- A review of the different issues to consider with regard to the financial protections of assets. In particular, the level of protection available in the event that a fund manager or platform provider becomes insolvent.



- Drafting communications to affected members regarding the closure of the abrnn Life UK Smaller Companies Fund, abrnn Life Sterling Inflation Linked Bond Fund, and abrnn Life Sterling Long Dated Government Bond Fund as well as the merger of the abrnn Corporate Bond Fund with the abrnn Sterling Corporate Bond Fund.

Considering the training activities completed by the Trustee Board together with the professional advice available to the Trustee, the Trustee considers that it meets the Pension Regulator's requirements (as set out under Code of Practice No 7) and is confident that the combined knowledge and understanding of the Trustee Board, together with the input from its specialist advisers, enables it to properly exercise its functions as the Trustee of the Scheme.

Signed on behalf of DB Trustee Services Limited as Trustee of the DB (UK) Pension Scheme

Name	
Signature	
Date	

## Appendix 1 – Costs, Charges and Net Returns for all Funds

### AVC Funds

#### Standard Life Assurance (Part of Phoenix Group)

Fund Name	Transaction Costs (%)	Total Expense Ratio (%) <sup>1</sup>	Performance as at 31 December 2023	
			1 Year (%)	5 Years (% p.a.)
<b>Active</b>				
Standard Life Annuity Targeting Pension Fund	0.17	0.61	4.1	-3.4
Standard Life Asia Pacific ex Japan Equity Pension Fund	0.05	0.72	1.2	4.7
Standard Life Deposit and Treasury Pension Fund	0.06	0.61	4.1	0.8
Standard Life Ethical Pension Fund	0.13	0.61	10.5	4.5
Standard Life European Equity Pension Fund	0.06	0.61	11.0	10.2
Standard Life Far East Equity Pension Fund	0.10	0.67	5.9	5.4
Standard Life HSBC Islamic Global Equity Index Pension Fund	0.00	0.90	26.3	16.0
Standard Life Index Linked Bond Pension Fund	0.06	0.61	-0.5	-5.5
Standard Life International Equity Pension Fund	0.12	0.62	10.0	10.3
Standard Life Japanese Equity Pension Fund	0.01	0.62	12.9	6.1
Standard Life Managed Pension Fund	0.18	0.62	6.9	5.7

<b>Standard Life Mixed Bond Pension Fund</b>	0.03	0.61	6.7	-1.2
<b>Standard Life Money Market Pension Fund</b>	0.00	0.61	4.2	1.0
<b>Standard Life Multi Asset Mgd (20-60% Shares) Pension Fund</b>	0.16	0.62	5.1	3.1
<b>Standard Life North American Equity Pension Fund</b>	0.05	0.61	13.9	14.8
<b>Standard Life Property Pension Fund</b>	0.22	0.63	4.2	0.7
<b>Standard Life Stock Exchange Pension Fund</b>	0.17	0.62	9.0	8.4
<b>Standard Life UK Equity Pension Fund</b>	0.14	0.61	2.5	4.8
<b>Passive</b>				
<b>Standard Life European Equity Tracker Pension Fund</b>	0.03	0.60	13.7	9.5
<b>Standard Life FTSE Tracker Pension Fund</b>	0.06	0.61	-1.2	1.3
<b>Standard Life Overseas Tracker Pension Fund</b>	0.06	0.60	16.7	12.9
<b>Standard Life US Equity Tracker Pension Fund</b>	0.03	0.60	19.1	15.0
<b>With Profit Funds</b>				
<b>Pension With Profits One 2006 Fund</b>	0.01	0.65	<b>N/A</b>	<b>N/A</b>
<b>Pension With Profits One Fund</b>	0.01	0.60	<b>N/A</b>	<b>N/A</b>

Source: Standard Life Assurance.

1. Members received a 0.40% rebate for the Standard Life Unit Linked Funds as this is a bundled arrangement.

**Aberdeen Standard Investments (Formerly Aberdeen Asset Management)**

Fund Name	Transaction Costs (%)	Total Expense Ratio (%)	Performance as at 31 December 2023	
			1 Year (%)	5 Years (% p.a.)
abr dn Life American Equity Enhanced Index Fund	0.10	0.27	19.6	15.7
abr dn Life Global (ex UK) Equity Fund	0.11	0.56	14.2	12.4
abr dn Life Multi-Asset Fund	0.21	0.63	8.2	6.9
abr dn Life Sterling Bond Fund	0.05	0.44	5.1	-2.0
abr dn Life Sterling Credit Bond Fund	0.14	0.39	10.3	1.2
abr dn Life Sterling Liquidity Fund	0.01	0.10	4.6	1.2
abr dn Life UK and Global (70/30) Equity Fund	0.24	0.57	7.3	6.8
abr dn Life UK and Global (50/50) Equity Fund	0.21	0.57	9.3	7.8
abr dn Life UK Equity Fund	0.32	0.55	4.5	5.1

Source: Aberdeen Standard Investments.

**Aberdeen Standard Investments (Formerly Aberdeen Unit Trust Managers Limited)**

Fund Name	Transaction Costs (%)	Total Expense Ratio (%)	Performance as at 31 December 2023	
			1 Year (%)	5 Years (% p.a.)
Sterling Corporate Bond	0.15	0.59	10.6	1.1
European (Ex UK) Equity	0.00	1.29	15.0	9.3

<b>Multi-Asset</b>	0.18	1.03	6.7	5.5
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Source: Aberdeen Standard Investments.

### Janus Henderson

Fund Name	Transaction Costs (%)	Total Expense Ratio (%)	Performance as at 31 December 2023	
			1 Year (%)	5 Years (% p.a.)
<b>Asia Pacific Capital Growth Fund</b>	0.28	0.61	0.4	3.2
<b>Emerging Markets Opportunities Fund</b>	0.41	0.68	1.9	1.6
<b>European Selected Opportunities Fund</b>	0.20	0.58	19.3	12.5
<b>Institutional Japan Index Opportunities Fund</b>	0.01	0.36	12.4	6.7
<b>Institutional Long Dated Gilt Fund</b>	0.00	0.32	1.3	-6.8
<b>UK Alpha Fund</b>	0.07	0.57	10.6	3.5
<b>UK Smaller Companies Fund<sup>1</sup></b>	0.10	0.57	3.5	0.0
<b>US Growth Fund C ACC</b>	0.34	0.57	29.0	15.9
<b>US Growth Fund I ACC</b>	0.34	0.85	28.6	15.6

Source: Janus Henderson.

### Utmost Life and Pensions

Fund Name	Transaction Costs (%)	Total Expense Ratio (%)	Performance as at 31 December 2023	
			1 Year (%)	5 Years (% p.a.)

<b>Active</b>				
<b>Asia Pacific Equity</b>	0.00	0.75	1.3	4.5
<b>European Equity</b>	0.00	0.75	15.1	9.4
<b>Fund of Investment Trusts (sales only)</b>	0.00	0.75	10.1	7.7
<b>Global Equity</b>	0.00	0.75	18.9	12.5
<b>Managed</b>	0.02	0.75	8.1	5.4
<b>Money</b>	0.00	0.50	4.3	1.0
<b>Multi-Asset Cautious<sup>1</sup></b>	0.00	0.75	6.3	N/A
<b>Multi-Asset Moderate<sup>1</sup></b>	0.00	0.75	9.5	N/A
<b>UK Equity</b>	0.02	0.75	7.6	5.4
<b>UK Government Bond Pension</b>	0.00	0.50	3.6	-3.1
<b>US Equity</b>	0.00	0.75	19.2	14.7
<b>Passive</b>				
<b>UK FTSE All Share Tracker</b>	0.00	0.50	7.1	6.1

Source: Utmost Life and Pensions

1. A portion of assets invested in this fund belong to member's who chose to invest in the Investing by Age lifestyle strategy.

## **Bankers Trust Funds**

### **Legal & General**

Fund Name	Transaction Costs (%)	Total Expense Ratio (%)	Performance as at 31 December 2023	
			1 Year (%)	5 Years (% p.a.)
Asia Pacific (ex-Japan) Developed Equity Index	0.00	0.29	4.6	6.2
Europe (ex-UK) Equity Index	0.01	0.47	15.0	10.0
Japan Equity Index	0.01	0.24	13.0	6.9
Multi-Asset Fund (Formerly Consensus Index)	0.03	0.39	8.1	4.9
North America Equity Index	0.00	0.36	19.3	15.3
Over 15 Year Gilts Index	0.04	0.10	1.6	-6.4
UK Equity Index	0.00	0.16	7.9	6.6
World (ex-UK) Equity Index	0.02	0.19	17.2	13.0
Future World Global Equity Index	0.02	0.00	16.4	0.0

Source: Legal and General

### **Aberdeen Standard Investments**

Fund Name	Transaction Costs (%)	Total Expense Ratio (%)	Performance as at 31 December 2023	
			1 Year (%)	5 Years (% p.a.)
Active				

<b>Asia Pacific (ex. Japan) Equity</b>	0.05	0.80	1.2	4.6
<b>Corporate Bond</b>	0.10	0.31	9.0	0.5
<b>Deposit and Treasury</b>	0.06	0.15	4.6	1.3
<b>European Equity</b>	0.06	0.62	11.0	1.1
<b>Index Linked Bond</b>	0.06	0.31	-0.2	-5.3
<b>Japanese Equity</b>	0.01	0.63	10.9	3.4
<b>Managed</b>	0.18	0.52	7.0	5.5
<b>Mixed Bond</b>	0.03	0.31	7.0	-0.9
<b>North American Equity</b>	0.05	0.60	14.0	14.6
<b>Overseas</b>	0.37	0.61	10.6	11.2
<b>Pooled Property</b>	0.24	0.52	3.6	0.8
<b>UK Equity</b>	0.14	0.50	2.7	4.7
<b>With Profit</b>				
<b>Pension Inflation Plus Fund<sup>1</sup></b>	<b>Undisclosed</b>	0.32	N/A	N/A

Source: Aberdeen Standard Investments.

1. Standard Life Investments do not disclose transaction costs for the Pension Inflation Plus Fund.

### Standard Life Assurance (Part of Phoenix Group)

Fund Name			Performance as at 31 December 2023
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	<b>Transaction Costs (%)</b>	<b>Total Expense Ratio (%)*</b>	<b>1 Year (%)</b>	<b>5 Years (% p.a.)</b>
<b>Active Funds</b>				
<b>European Equity</b>	0.06	0.61	11.0	10.2
<b>Japanese Equity</b>	0.01	0.62	12.9	6.1
<b>With Profit Funds</b>				
<b>Pension With Profits Fund</b>	0.06	0.60	<b>N/A</b>	<b>N/A</b>
<b>Pension Millennium With Profits Fund</b>	0.01	0.60	<b>N/A</b>	<b>N/A</b>

Source: Standard Life Assurance.

1. Members received a 0.40% rebate for the Standard Life Unit Linked Funds as this is a bundled arrangement.

## Prudential

<b>Fund Name</b>	<b>Transaction Costs (%)</b>	<b>Total Expense Ratio (%)</b>	<b>Performance as at 31 December 2023</b>	
			<b>1 Year (%)</b>	<b>5 Years (% p.a.)</b>
<b>Active</b>				
<b>Cash</b>	0.00	0.01	3.1	-0.2
<b>Discretionary</b>	0.15	0.04	7.5	4.2
<b>Fixed Interest</b>	0.00	0.01	3.1	-3.9
<b>Global Equity</b>	0.19	0.03	6.9	5.4
<b>Index Linked</b>	0.38	0.01	-0.3	-5.7

<b>International Equity</b>	0.11	0.06	10.5	7.8
<b>UK Equity</b>	0.27	0.02	5.4	4.0
<b>M&amp;G Cash (ex M&amp;G)</b>		0.45	0.0	0.0
<b>M&amp;G Equity (ex M&amp;G)</b>		0.49	3.2	-0.1
<b>M&amp;G European Sustain Paris Aligned (ex M&amp;G)</b>		0.46	9.5	4.6
<b>M&amp;G Gilt &amp; Fixed Interest Income (ex M&amp;G)</b>		0.45	16.4	9.4
<b>M&amp;G Global Sustain Paris Aligned (ex M&amp;G)</b>		0.46	3.0	-4.0
<b>M&amp;G International (ex M&amp;G)</b>		0.50	15.7	13.8
<b>M&amp;G Japan (ex M&amp;G)</b>		0.46	8.9	6.8
<b>M&amp;G Managed (ex M&amp;G)</b>		0.66	13.0	8.4
<b>M&amp;G North American (ex M&amp;G)</b>		0.48	7.0	3.8
<b>M&amp;G Pacific Markets (ex M&amp;G)</b>		0.50	17.4	12.2
<b>M&amp;G PPP (ex M&amp;G)</b>		0.50	2.4	5.1
<b>M&amp;G Property (ex M&amp;G)</b>		1.60	9.1	6.1
<b>M&amp;G Recovery (ex M&amp;G)</b>		0.45	-3.2	-6.0
<b>M&amp;G UK Equity (ex M&amp;G)</b>		0.53	1.4	-0.6
<b>M&amp;G UK Income (ex M&amp;G)</b>		0.46	2.3	3.5

<b>M&amp;G UK Sustain Paris Aligned (ex M&amp;G)</b>		0.50	4.2	3.4
<b>With Profits Fund</b>				
<b>Cash Accumulation With Profits</b>	<b>0.17</b>	<b>0.80</b>	<b>N/A</b>	<b>N/A</b>

Source: Prudential

Members received a 0.55% rebate for the Prudential (ex M&G) funds due the size of funds in aggregate.

Despite its best efforts, the Trustee, via its investment advisor, has been unable to obtain transaction cost information for the ex M&G funds. The transaction costs included are as at 31 December 2021.

### Utmost Life and Pensions

Fund Name	Transaction Costs (%)	Total Expense Ratio (%)	Performance as at 31 December 2023	
			1 Year (%)	5 Years (% p.a.)
Asia Pacific Equity Pension Fund	0.00	0.75	1.3	4.5
European Equity Pension Fund	0.00	0.75	15.1	9.4
Fund of Investment Trusts Pension Fund	0.00	0.75	10.1	7.7
Global Equity Pension Fund	0.00	0.75	18.9	12.5
Managed Pension Fund	0.02	0.75	8.1	5.4
Money Market Pension Fund	0.00	0.50	4.3	1.0
Multi-Asset Cautious Pension Fund <sup>1</sup>	0.00	0.75	6.3	N/A
Multi-Asset Growth Pension Fund <sup>1</sup>	0.00	0.75	10.6	N/A
Multi-Asset Moderate Pension Fund <sup>1</sup>	0.00	0.75	9.5	N/A
Property Pension Fund (sales only)	0.32	1.37 <sup>2</sup>	-1.4	-4.4

<b>UK Equity Pension Fund</b>	0.02	0.75	7.6	5.4
<b>UK Government Bond Pension Fund</b>	0.00	0.50	3.6	-3.1
<b>US Equity Pension Fund</b>	0.00	0.75	19.2	14.7

Source: Utmost Life and Pensions

1. A portion of assets invested in this fund belong to member's who chose to invest in the Investing by Age lifestyle strategy. 5 year performance data is unavailable as the fund was launched in 2020.
2. The Total Expense Ratio for the Utmost Property Fund consists of an Annual Management Charge of 1.00% and a Property Management Expense of 0.37%.

### Zurich

Fund Name	Transaction Costs (%)	Total Expense Ratio (%)	Performance as at 31 December 2023	
			1 Year (%)	5 Years (% p.a.)
<b>American Equity Fund (Accumulation)</b>	0.05	0.14	21.4	17.2
<b>Equity Fund (Accumulation)</b>	0.54	0.15	13.7	11.5
<b>European Fund (Accumulation)</b>	2.06	0.14	13.6	11.7
<b>Far East Fund (Accumulation)</b>	0.55	0.25	2.4	6.2
<b>Fixed Interest Deposit Fund (Accumulation)</b>	0.00	0.08	3.7	0.8
<b>Gilt Edged Fund (Accumulation)</b>	0.14	0.11	3.0	-3.9
<b>Managed Fund (Accumulation)</b>	0.35	0.18	9.0	6.4
<b>Property Fund (Accumulation)</b>	0.22	0.54	1.2	2.6

Source: Zurich and Financial Express

1. Accumulation funds are subject to an annual charge of 0.75% p.a., which is taken direct within the fund and is reflected in the daily fund price. The fee is taken by Zurich for running the member's plan. However, this charge is refunded to affected members through the addition of units each month. This charge is not applicable to capital unit funds.
2. Each member also pays a policy charge of £13.66 per month as at 31 December 2023. This policy charge is applied by reducing the number of units in a member's plan each month and increases with inflation.

**Abbey Life**

Fund Name	Transaction Costs (%)	Total Expense Ratio (%)	Performance as at 31 December 2023	
			1 Year (%)	5 Years (% p.a.)
Target Life Guaranteed	0.00	0.50	3.3	0.4
Target Life Managed	0.07	0.50	7.3	3.9
Target Life Managed Growth	0.06	1.00	11.0	7.1
Target Life TSB International	0.06	1.00	12.1	8.7

Source: Phoenix Life



## Appendix 2 - DB (UK) Pension Scheme (the “Scheme”)

### Statement of Investment Principles (the “Statement”)

#### Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005). The Scheme’s assets are held in trust by the Trustee who is responsible for the Scheme. The Trustee will review this Statement annually and prior to any significant change in investment strategy or policy. A separate Investment Policy Implementation Document (“IPID”), detailing the specifics of the Scheme’s investment arrangements is available upon request.

The Scheme currently has three benefit Sections:

- **Defined Benefit Section** - benefit entitlements calculated by reference to a formula set out in the Scheme’s Trust Deed based on each member’s pensionable earnings and length of pensionable service;
- **Defined Contribution Section** – “pure” money purchase benefits transferred in to the Scheme from the Bankers Trust UK Pension Plan (“BT Plan”) in April 2003. For investment purposes this Section also includes the Additional Voluntary Contributions (“AVC”) benefits transferred in to the Scheme from the BT Plan in April 2003 (from which benefits will also be provided on a money purchase basis); and
- **Defined Contribution Section with Guaranteed Minimum Pension (GMP) underpin** – money purchase benefits transferred in to the Scheme from the BT Plan in April 2003 for the period of contracted service a GMP is required. For investment purposes this Section also includes the Additional Voluntary Contributions (“AVC”) benefits transferred in to the Scheme from the BT Plan in April 2003 (from which benefits will also be provided on a money purchase basis).

Together, the **Defined Contribution Section** and **Defined Contribution Section with GMP underpin** are referred to in the remainder of this statement as the “Defined Contribution Section”.

For the purposes of this statement, AVC benefits other than those transferred into the Scheme from the BT Plan in April 2003 technically sit within the Defined Benefit Section, but as part of this SIP will be considered to form a separate Section (“the AVC Section”).

Policies applicable to the Defined Contribution Section throughout typically apply to these AVC benefits unless stated otherwise.

#### Responsibility for the Scheme’s investment strategy

The Trustee is responsible for the investment strategy of the Scheme. They have obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Investments Limited (AIL) as the Trustee’s appointed Investment Adviser (the “Investment Adviser”) who are authorised and regulated by the Financial Conduct Authority.

The Trustee has consulted with the Principal Employer, prior to writing this Statement and will take the employer’s comments into account when they believe it is appropriate to do so.

The day to day management of the Scheme's assets has been delegated to investment managers which are authorised and regulated by the Financial Conduct Authority. The day to day management of the Scheme's Annuity Policies has been delegated to the Annuity Providers, Legal & General Assurance Society ("LGAS") and Aviva. A copy of this Statement will be provided to the investment managers appointed, available to the members of the Scheme and published on a publicly accessible website.

The Trustee has implemented Bulk Purchase Annuity Agreements ("Annuity Policies") with LGAS and Aviva. These Annuity Policies insure the liabilities for a sub-set of the members of the Scheme. Aviva and LGAS pay the Scheme a monthly amount equal to the pension payment in respect of the members underlying the respective Annuity Policy. These insurance contracts are assets of the Scheme and the pension liability remains within the Scheme.

## **Objectives**

The Trustee's objectives for the investment strategy of the Scheme have been set with regard to the Scheme's Statutory Funding Objectives as set out in the Statement of Funding Principles.

The Trustee's primary objectives for the Defined Benefit Section of the Scheme are:

- To ensure a prudent investment approach to meeting the Scheme's liabilities; and
- Target an agreed level of out-performance in line with relevant actuarial assumptions.

The goal is to build sufficient assets to purchase insurance contracts(s) to buy-in or buy-out the full liabilities, within reasonable time frames.

The objectives and goal both take into account the strength of the employer's covenant.

The Trustee's investment objectives for the Defined Contribution Section, which also apply to the AVC Section, are:

- To make available a range of pooled funds in which members of the Scheme are able to invest;
- To make available a sufficient range of asset classes which the Trustee believes will enable members to invest in a manner which reflects their attitude to risk and proximity to retirement; and
- The Trustee's objectives regarding the default arrangements is to aim to provide capital preservation whilst achieving cash deposit returns before the application of charges.

## **Risk**

The Trustee recognises that the key risk to the Defined Benefit Section of the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause deterioration in the Scheme's funding level and therefore contribute to funding risk. The Trustee has put measures in place to manage these risks. The risks and measures taken are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and its Investment Adviser considered this mismatching risk when setting the investment strategy and continue to monitor the factors and their potential impact on the Scheme;
- The risk of a shortfall of liquid assets relative to the immediate liabilities of the Scheme ("cashflow risk"). The Trustee and its Investment Adviser will manage the cashflow requirements taking into account the timing of future payments. The assets are sufficiently liquid to allow disinvestments at short notice. The Investment Adviser in conjunction with the Scheme's administrator monitors and manages cashflow requirements on behalf of the Trustee as per the agreed cashflow policy;



- The failure by the fund managers to achieve the rate of investment return assumed by the Trustee (“manager risk”). This risk is considered by the Trustee and its Investment Adviser both upon the initial appointment of the fund managers and on an ongoing basis thereafter. The Trustee and its Investment Adviser review manager performance quarterly and meet with the fund managers regularly as part of their ongoing monitoring;
- The failure to spread investment risk (“risk of lack of diversification”). The Trustee and its advisers considered this risk when setting the investment strategy and have also mandated its fund managers that a suitably diversified portfolio of assets should be maintained at all times. The Trustee continues to seek the advice of its advisers before considering any changes to the current investment strategy;
- The risk of fraud, the safe keeping of assets, poor advice and acts of negligence (“operational risk”). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received. The Trustee has appointed a custodian to hold the Scheme assets in custody, in addition to undertaking and processing the settlement of transactions. The Trustee receives regular reporting from the custodian;
- The risk of holding insufficient collateral in respect of the Liability Driven Investment (“LDI”) portfolio. If there is too little collateral, the Scheme is at risk of not maintaining its hedging level. Conversely, if there is too much collateral the expected return of the Scheme may be too low. The Trustee and its Investment Advisers manage this risk through regular monitoring of the collateral of the LDI portfolio and taking appropriate action in line with the agreed collateral policy;
- The largest risk underlying the Annuity Policies is that of LGAS or Aviva defaulting. The Trustee considered the credit strength of the insurers as part of its due diligence process. Having considered this, in addition to several other factors such as the regulatory environment and other protections available (e.g. the Financial Services Compensation Scheme), the Trustee considered these to be appropriate investments for the Scheme. In extreme circumstances the Trustee has additional provisions including a termination right should LGAS or Aviva not be able to meet their obligations; and
- The risk that LGAS or Aviva fail to make the pension payments covered by the Annuity Policies as they fall due ('Annuity Policy default risk'). This risk is mitigated the ongoing consideration of LGAS’s and Aviva’s covenant by the Trustee and its advisers, and protections offered due to LGAS and Aviva being regulated by the Financial Conduct Authority and The Prudential Regulation Authority.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of ongoing investment strategy reviews. Some of these risks may also be modelled explicitly during the course of such reviews.

The Trustee’s policy is to monitor, where possible, these risks periodically. The Trustee receives quarterly reports showing:

- Changes to the Scheme’s funding position;
- Performance of its fund managers versus their respective targets;
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee;
- LDI collateral monitoring; and
- Liability cashflow benchmark monitoring analysing the changes in the liability cashflows in which the LDI portfolio is managed against, versus the liabilities.

The Trustee's policy is to monitor the Annuity Policies with LGAS and Aviva on an annual basis. The policies pay monthly income to the Scheme, matching a portion of the Scheme's pensioner payroll.

There are a number of risks specifically associated with the Defined Contribution Section of the Scheme, which are also applicable to the AVC Section:

- The risk that the investment return over members' working lives does not keep pace with inflation – “inflation risk”;
- The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in the pension or cash lump sum secured – “conversion risk”;
- The risk that the chosen investment manager underperforms the benchmark against which the investment manager is assessed – “manager risk”; and
- The risk of a fall in the value of the members fund – “capital risk”

## **Choosing Investments**

### **I. Defined Benefit Section**

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustee's objectives.

Investment management responsibility is delegated to the investment managers who were appointed by the Trustee. With regards to the review and selection of its investment managers, the Trustee takes expert advice.

AIL has been selected as Investment Adviser to the Trustee. AIL operates under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and to monitor those it delegates. The current investment managers, their benchmark, target and ongoing management fees are set out in the IPID.

### **II. Defined Contribution Section**

The key source of financial risk (in relation to members meeting their objectives) normally arises from asset choice. The Trustee therefore retains responsibility for the investment fund options made available to the membership and takes expert advice as required from its professional advisers.

The Scheme provides an extensive list of investment options for members through which a number of different investment managers and funds can be accessed. The full list and the associated charges are detailed in the IPID.

Where the Trustee is holding unallocated funds that are attributable to a member, and does not have a valid investment instruction from this member, it will invest these funds into the default arrangement. Members can also choose to invest in the default arrangement.

The objective of the default arrangement is defined in the Scheme's Trust Deed and Rules as "*an Investment Vehicle with an investment objective which aims to preserve capital whilst aiming to provide a return on investments similar to that which might be achieved on cash deposits in a bank or building society or money market funds*".

For the Defined Contribution Section of the Scheme, the default arrangement is the Standard Life Deposit and Treasury Pension Fund ("the Deposit and Treasury Pension Fund"), which was appointed by the Trustee in June 2022.

For the AVC Section of the Scheme, the default arrangement is the Standard Life Money Market Pension Fund ("the Money Market Pension Fund"), which was implemented on 24 March 2016.

This default arrangement was most recently reviewed by the Trustee in October 2022 and was deemed appropriate to remain as the default arrangement for the AVC Section.

In addition to this Main SIP, the Trustee has also appended a document entitled “Default Arrangements for the Defined Contribution Section” to this document, which provides further information on the DC Section’s default arrangements.

## **Asset Allocation Strategy**

### **I. Defined Benefit Section**

The planned asset allocation strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. The Trustee’s policy is to make the assumption that growth assets will outperform gilts on average over the long term. However, the Trustee recognises the potential volatility in growth asset returns, particularly relative to the Scheme’s liabilities, and the risk that the fund managers do not achieve the targets set.

When choosing the Scheme’s planned asset allocation strategy the Trustee considered written advice from its Investment Advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes;
- The risks and rewards of a range of alternative asset allocation strategies;
- The suitability of each asset class; and
- The need for appropriate diversification.

The Scheme's assets can be divided into three distinct portfolios:

1. The 'physical assets' portfolio;
2. The 'Liability Driven Investments (“LDI”)' portfolio (including an allocation to Credit Default Swaps (“CDS”)); and
3. The 'Bulk Purchase Annuity Agreements’.

The long-term strategic allocation of the assets is shown below:

<b>Asset Class</b>	<b>Target Weighting (%)</b>	<b>Range (%)</b>
Non-Government Bonds <sup>1</sup>	27.0	18.0-36.0
LDI Portfolio <sup>1</sup>	33.0	24.0-42.0
Bulk Purchase Annuity Agreements	40.0	-
<b>Total</b>	<b>100.0</b>	-

1. The LDI Portfolio includes an investment in CDS which represents approximately 1.5% of assets. The exposure gained is expected to be in the region of 4x leveraged. Therefore, the combined economic exposure obtained for the Non-Government Bonds, including the CDS, is approximately 33.0%.

The long-term strategic allocation of the assets excluding the Bulk Purchase Annuity Agreements is shown below:

<b>Asset Class</b>	<b>Target Weighting (%)</b>	<b>Range (%)</b>
Non-Government Bonds <sup>1</sup>	45.0	30.0-60.0
LDI Portfolio <sup>1</sup>	55.0	40.0-70.0

<b>Total</b>	<b>100.0</b>	-
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1. The LDI Portfolio includes an investment in CDS, which represents approximately 2.5% of assets. The exposure gained is expected to be in the region of 4x leveraged. Therefore, the combined economic exposure obtained for the Non-Government Bonds, including the CDS, is approximately 55.0%

The above ranges have been agreed with the Trustee, who will therefore monitor the actual asset allocation of the portfolio versus the target weight and the ranges set out in the table above.

In addition, the Trustee also consulted with the sponsoring employer when setting this strategy.

## **II. Defined Contribution Section**

In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to the appointed investment managers. The investment managers shall provide the skill and expertise necessary to manage the investments of the Trust competently.

The Trustee is not involved in the investment managers' day-to-day method of operation and does not directly seek to influence attainment of their performance targets. The Trustee will maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Scheme's long term objectives, and an acceptable level of risk. As part of this process, the Trustee has delegated the monitoring of the Scheme's investment managers to its Investment Adviser.

### ***Defined Contribution Section (not applicable to the AVC Section)***

Members of this Section have money purchase benefits which were transferred in to the Scheme from the Bankers Trust Plan in April 2003. For investment purposes, this Section also includes the AVC benefits transferred from the BT Plan in April 2003. Both these categories of benefits are broadly linked to the value of particular investments.

The Scheme's Trust Deed obliges the Trustee (so far as is reasonably practicable) to maintain the assets attributable to the Defined Contribution Section in the form in which they were held immediately prior to the transfer-in from the BT Plan in April 2003, until a valid Investment Instruction is given in respect of a member's assets in such arrangements.

Within the Defined Contribution Section, the Trustee has arrangements with the following providers:

- Legal & General Investment Management Limited;
- Standard Life Investments (abrdn);
- Standard Life Assurance Limited (part of Phoenix Group);
- Prudential Assurance Company Limited;
- Utmost Life and Pensions;
- Zurich Assurance Limited; and
- Abbey Life Assurance Company Limited

Where money purchase benefits were transferred into the Scheme from the BT Plan in April 2003, for the period of contracted out service, a GMP is required. For investment purposes investment for members with GMP underpin follows the same asset allocation strategy as the rest of the Defined Contribution Section.

The Defined Contribution Section receives no new contributions.

### ***Separate arrangements for the AVC Section***

The Trustee has arrangements with the following providers:

- Standard Life Assurance Limited (part of Phoenix Group);
- Aberdeen Asset Management Life and Pensions Ltd (abrdrn);
- Aberdeen Unit Trust Managers Limited (abrdrn);
- Janus Henderson; and
- Utmost Life and Pensions

## **Environmental Social and Governance considerations**

The Trustee believes that environmental, social and governance (“ESG”), including climate change, are important factors when making investment decisions. At the stock level, the Trustee has delegated these considerations to the investment managers, having first agreed an appropriate benchmark and investment restrictions.

The Trustee undertakes an annual review of the entirety of the Scheme’s investments assessing ESG and related issues. This is set in the context of guidance provided by the Group’s Reputational Risk Procedure, which sets out a number of areas of concern to the Group in undertaking its commercial activities.

The Trustee encourages the investment managers to engage on ESG issues, including climate change. We expect managers to adopt the Financial Reporting Council’s UK Stewardship code and adhere to the UN Principles for Responsible Investment or similar codes relevant to the particular asset class.

## **Defined Benefit Section**

In setting the Scheme’s investment strategy, the Trustee agrees a target level of return taking account of the Scheme’s liabilities and consistent with a prudent and appropriate level of risk, taking into consideration the actuarial assumptions that have been set.

Consideration is given to financially material factors, including ESG and climate change. The Trustee appoints managers that it believes have the relevant skills and processes to do this when assessing valuations and sustainability of business models. The Trustee periodically reviews managers and how they take issues such as ESG and climate change into account. The Trustee expects managers to adopt the Financial Reporting Council’s UK Stewardship code and adhere to the UN Principles for Responsible Investment or similar codes relevant to the particular asset class.

## **Defined Contribution Section**

The Scheme’s Trust Deed restricts the powers of the Trustee in relation to changing the way in which a member’s assets are invested without the member’s consent. The Trustee’s primary concern is to provide a selection of prudent investment vehicles covering the principal liquid asset classes, from which members can select and thus construct an investment strategy appropriate for their individual objectives. The Trustee is aware of the importance of ESG issues but it has limited ability to influence investment managers of the pooled funds, but encourages them to improve their ESG coverage and the parameters in their funds.

## **Stewardship – Voting and Engagement**

### **Defined Benefit Section**

The Trustee recognises the importance of their role as a steward of capital and the need to ensure high standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long- term financial value for the Scheme and its beneficiaries.

The Trustee regularly reviews the suitability of the Scheme's appointed investment managers and takes advice from their Investment Adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the voting, engagement or stewardship standards the Trustee has set out in this policy, the Trustee will engage with the manager, via different mediums such as emails, phone calls and meetings, to seek a more sustainable position, but it may look to replace the manager.

The Trustee delegates all stewardship activities, including voting and engagement, to their appointed investment managers. The Trustee accepts responsibility for how the Scheme's investment managers steward assets on their behalf, including the casting of votes in line with each manager's individual voting policies.

That said, the Trustee reviews the stewardship activities of their investment managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies, as set out in this SIP, to those of the Scheme's investment managers. The Trustee will engage with their investment managers where necessary for more information. Prospective managers are required to provide this information in advance of their appointment.

The Trustee also ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

The Trustee will engage with their investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of the investment managers' active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members on request.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

For the Annuity Policies, the responsibility for voting and engagement with the underlying managers is with Aviva and LGAS.

### **Defined Contribution Section**

The Trustee recognises the importance of its role as a steward of capital and is aware of the risks that environmental, social and governance factors, including climate change, pose, and how they could negatively impact the value of investments held if not understood and evaluated properly. While these risks are considered when assessing the Scheme's default arrangements, they are secondary relative to the main objective of the default arrangements, as set out within the 'Arrangements with Investment Managers' section below.

The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and ESG considerations. The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. The Trustee accepts responsibility for how the investment managers steward assets on its behalf, including the casting of votes in line with each manager's individual voting policies.

The Trustee reviews its managers' voting and engagement policies and activities on an annual basis. The Trustee reviews these factors to check they are aligned with expectations and can reasonably be considered to be in the Trustee's, and therefore the members', best interests.

The Trustee expects that their investment managers will provide details of their stewardship activities on an annual basis and will monitor this with input from their investment adviser. The Trustee will engage with their investment managers where necessary for more information.

If the Trustee's monitoring reveals that an investment manager's voting or engagement policies, or its stewardship actions are not aligned with the Trustee's expectations, the Trustee will engage with the manager, via different medium such as emails and meetings.

However, the Trustee, generally, does not have the power to move member assets, and is limited in its ability to take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors") when setting the investment strategy. The Trustee has, however, made Ethical funds available to members who would like to invest in funds with these specific considerations.

## **Members' Views and Non-Financial Factors**

In setting and implementing the Scheme's investment strategy, the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"<sup>1</sup>).

The underlying funds that make up the default arrangements and other self-select funds should not apply personal ethical or moral judgements as the basis for an investment decision.

In relation to the AVC section (which excludes the AVCs transferred into the Scheme from the BT Plan), the Trustee has made Ethical and Shariah compliant funds available to members who would like to invest in funds with these specific considerations. In relation to the DC Section, the Trustee has made available the Future World Fund for members wishing to integrate ESG factors into their investment decision-making.

## **Arrangements with Investment Managers**

### **Defined Benefit Section**

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies, as set out in this SIP, including those on non-financial matters. This includes monitoring the extent to which investment managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by their Investment Adviser.

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<sup>1</sup> The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

The Trustee receives quarterly reports and verbal updates from the Investment Adviser on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assess the investment managers over longer periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by their investment manager, which supports the Trustee in determining the extent to which the Scheme's engagement policy, as set out in this SIP under "Stewardship – Voting and Engagement" has been followed throughout the year.

The Trustee shares the policies, as set out in this SIP, with the Scheme's investment managers, and requests that the investment managers review and confirm whether their approach is in alignment with the Trustee's policies.

Before appointment of a new investment manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies as set out in this SIP. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustee will express their expectations to the investment managers in by other means (such as through a side letter, in writing, or verbally at Trustee meetings). Ultimately, if the investment manager's policies do not align with those of the Trustee, the Trustee would look to appoint an alternative manager.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment all for investment managers will be reviewed periodically, and at least every three years.

## **Defined Contribution Section**

When setting the Defined Contribution Section's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries. However, in certain circumstances, the Scheme's Trust Deed restricts the Trustee (so far as is reasonably practicable) from changing the way in which members' assets are invested without the member's consent.

The Trustee's powers are therefore limited, and do not include the power to move members' funds without their prior consent other than in very specific circumstances. As a result, the Trustee's ability to incentivise the asset managers to align investment strategy with the Trustee's investment policies are limited, and the duration of the arrangements with asset managers are correspondingly set by individual member elections.

In the case that the Trustee is in receipt of members' funds and have not received valid investment instructions from the members in question, the Trustee will invest these funds in the relevant Section's default arrangements. Members can also choose to invest in the relevant Section's default arrangement.



The specific objective of the default arrangements for both the Defined Contribution Section and the AVC Section, as set out in the Trust Deed, is:

- *to preserve capital whilst aiming to provide return on investments similar to that which might be achieved on cash deposits in a bank or building society or money market funds*

The Trustee, in appointing an investment manager, will seek to ensure that the investment strategy aligns with this objective so far as is reasonably practical. The Trustee, however, has limited influence over the manager's investment practices because all assets would be expected to be held in pooled funds.

The Trustee's view is that the fees paid to the investment manager ensure it is incentivised to provide a service that meets the stated objective of the default arrangements. However, in practice, the investment manager cannot fully align its strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term financial and non-financial performance of debt/equity issuers, engagement with such issuers and portfolio turnover in order to improve performance in the medium to long-term.

The Trustee is supported in monitoring the default arrangements' investment activity by the Investment Adviser. The Investment Adviser provides annual reviews to the Trustee that assess the performance and the costs associated with all funds of the various managers in which members are invested in within the Defined Contribution Section (including the default arrangements).

If the Trustee determines that the appointed manager does not meet the specific objective set out above, and is therefore unsuitable, the Trustee, with the support of the Investment Adviser, will assess the necessary action that needs to be taken (including the selection of an alternative manager for the default arrangements).

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. There is typically no set duration for the appointment of an investment manager as provider of the default arrangements, however, the Trustee selects the provider with the expectation of a longer-term appointment.

## **Monitoring of Investment Managers Costs**

### **Defined Benefit Section**

#### **Ongoing reporting and compliance**

The Trustee is aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by their investment managers that can increase the overall cost incurred by their investments. The Trustee is also aware of the costs in changing investment arrangements.

#### **Data Collection**

The Trustee collects annual cost transparency reports covering all of their investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what they're paying their investment managers.

#### **Manager Relationships**

The Trustee will only appoint investment managers who offer full cost transparency via the CTI templates to manage assets of the Scheme. This will be reviewed before the appointment of any new managers and includes the existing managers held by the Scheme.

#### **Portfolio Turnover**

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year. The Scheme's Investment Adviser monitors this on behalf of the Trustee as part of the manager monitoring they provide to the Trustee and flags to the Trustee where there are concerns.

The Trustee accepts that transaction costs will be incurred to drive investment performance and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

### **Analysis of manager performance and remuneration**

The Trustee assesses the investment performance of the investment managers on a quarterly basis and the remuneration of the investment managers on at least an annual basis via collecting cost data in line with the CTI templates.

The Trustee assesses how their investment managers are remunerated as part of the appointment process. The Trustee takes into consideration the asset class, performance objective and the fee proposal as part of their decision. The Trustee has also reviewed the remuneration of their existing managers to ensure consistency with the remuneration policy.

### **Defined Contribution Section and AVC Section**

The Trustee is aware of the importance of monitoring its investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred by investment managers that can increase the overall cost incurred by their investments.

The Trustee regularly reviews the investment managers' total costs in both the annual Defined Contribution Section review as well as the annual Chairman's DC Governance and Charges Statement, the latter of which contains illustrations highlighting the potential impact that these costs could have on different members' potential returns.

Overall the Scheme's review and Chairman's DC Governance and Charges Statement clearly sets out:

- The base-level fees paid to the asset managers and whether any additional fees or discounts apply to those base-level fees; and
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the Trustee.

The Trustee defines portfolio turnover costs as costs incurred within the day to day management of the assets by the asset manager. This covers such things as the cost of buying and selling securities within the funds of the asset managers. Transaction costs are incurred on an on-going basis and are implicit within the performance of the fund.

The Trustee acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager.

In terms of evaluation of performance and fees, the Trustee assesses the gross performance of all the funds in the Defined Contribution Section over a one-year, three-year and five-year basis against the ABI sector average.

The fees incurred by investment managers are provided annually by the Investment Adviser. This cost information is set out alongside the performance of the investment managers to provide context as part of the Defined Contribution Section Review. The Trustee monitors both the costs and performance trends over time.

The Trustee also assesses whether the gross performance and the fees associated with the default arrangements are in line with the objective for this arrangement.

The Trustee believes that the fees for the open investment arrangements in place are generally appropriate for the types of arrangement held. However, if the Trustee, with the support of its Investment Adviser, believe a fund fee to be inappropriate for the Scheme, they may choose to close the fund to new investments – action that has been taken on a number of occasions in the past.

### **Realisation of Investments/Liquidity**

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (either through the sale of direct holdings of stocks, bonds etc. or the sale of units in pooled funds).

The Trustee's policy is not to invest in illiquid investments on behalf of members within the default arrangements across the Defined Contribution and AVC Sections.

The Scheme's Trust Deed and Rules require that the default arrangements be held in an Investment Vehicle that has an objective to preserve capital, while also aiming to provide a return on investments similar to that which might be achieved on cash deposits in a bank or building society or money market funds.

The Trustee feels it can meet these objectives by investing in readily realisable money market funds, thereby reducing the risk of members not being able to realise their funds on any particular day, for example if there was a notice period applied to redemptions or if trading in the fund were to be suspended as a result of holdings in illiquid assets.

The Trustees will keep this policy under review in future.

### **Compliance with Section 36 of the Pensions Act**

The Trustee's policy for securing compliance with Section 36 of the Pensions Act 1995, to the extent applicable, is as follows:

- Any applicable requirements of Section 36(2) (Diversification and suitability) are considered above.
- Before investing in any manner, other than in one where appropriate advice is not required under the Pensions Act, the Trustee's policy, having regard to the investment restrictions set out in the Trust Deed, is to obtain and consider proper advice on the question whether the investment is satisfactory having regard to the matters referred to above.
- The Trustee's policy in relation to continued retention of investments of the Scheme is periodically (and if possible annually) to obtain and consider proper advice as to whether, having regard to the investment restrictions set out in the Trust Deed, and to the circumstances of the Scheme, the investments remain satisfactory having regard to the principles set out in this Statement and to the need for diversification and suitability.
- The Trustee's policy is to exercise their investment powers in respect of direct investments with a view to giving effect to the principles contained in this statement so far as reasonably practicable.

## Default Arrangements for the Defined Contribution Section

### **A. Introduction**

1. The DB (UK) Pension Scheme (the “Scheme”) has identified the following investment vehicles as “default arrangements” for the Scheme:
  - 1.1 the Standard Life Money Market Pension Fund<sup>2</sup> in relation to additional voluntary contributions (“AVCs”) (other than AVCs transferred into the Scheme from the Bankers Trust UK Pension Plan (the “BT Plan”) in April, 2003).
  - 1.2 the Standard Life Deposit and Treasury Pension Fund<sup>3</sup> in relation to the Defined Contribution Section.

### **B. Aims and objectives of the Trustee of the Scheme in respect of the default arrangements**

1. In relation to the Scheme’s default arrangements:
  - 1.1 where **Clause 6(J)(x)** of the Scheme’s Trust Deed applies, the Trustee is obliged to use its reasonable endeavours to invest (or make arrangements to invest) the “**Member’s Fund**”, as defined in the Scheme’s Trust Deed and Rules (see **Part III, Section 1**, of the Trust Deed) in the “**Default Investment Vehicle**”.
  - 1.2 **Clause 6(K)** of the Trust Deed provides that:  
“**Default Investment Vehicle**’ means one of:
    - (i) *any deposit account with Halifax plc, or*
    - (ii) *any deposit or share account with a building society as defined in the Building Societies Act 1986 or any deposit account with an institution authorised under Part 1 of the Banking Act 1987, or*
    - (iii) *an Investment Vehicle with an investment objective which aims to preserve capital whilst aiming to provide a return on investments similar to that which might be achieved on cash deposits in a bank or building society or money market funds as selected by the Trustee and which may be changed from time to time by the Trustee as it sees fit.”*
  - 1.3 therefore, the Trustee’s aims and objectives in respect of the default arrangements are for the investment vehicle selected as the “**Default Investment Vehicle**” to comply with the definition in **Clause 6(K)** of the Trust Deed.

### **C. Explanation of how the Trustee’s aims, objectives and policies are intended to ensure that the default arrangements assets are invested in the best interests of the relevant members and beneficiaries**

1. In relation to the Scheme’s default arrangements:

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<sup>2</sup> An investment option under a unit-linked life policy issued by Standard Life Assurance (part of Phoenix Group).

<sup>3</sup> An investment option under a unit-linked life policy issued by Standard Life Investments (abrdn).

- 1.1 as noted at **B.1** above (and taking account of the policies in **D.1.1** below), the Trustee must invest the relevant assets in a manner which complies with the definition of “**Default Investment Vehicle**” in **Clause 6(K)** of the Trust Deed.
- 1.2 the default arrangements aim to preserve the capital value of the relevant Member’s Fund, until the member gives a valid Investment Instruction to the Trustee, or it is required to be realised (see **D.1.7** below).
- 1.3 within the restrictions of the definition set out in **B.1.2** above, and with the benefit of investment advice, the Trustee has determined that:
  - (A) the Standard Life Money Market Pension Fund is the appropriate investment vehicle for the AVCs (other than AVCs transferred into the Scheme from the Bankers Trust UK Pension Plan (the “BT Plan”) in April, 2003); and,
  - (B) the Standard life Deposit and Treasury Pension Fund is the appropriate investment vehicle for the Defined Contribution Section.
2. It is the policy of the Trustee to notify members in the default arrangements periodically that they may not be suitable to meet the member’s objectives.
3. However, any such notice is only sent to those members for whom the Trustee holds a current address.

**D. Compliance with Regulation 2(3)(b) of the Investment Regulations**

1. In relation to the Scheme’s default arrangements:
  - 1.1 the Trustee must invest the relevant assets in a manner which complies with the definition of “**Default Investment Vehicle**” in **Clause 6(K)** of the Trust Deed, as noted in section **B.1** above.
  - 1.2 the Trustee’s policies in relation to:
    - (A) the kinds of investments to be held;
    - (B) the balance between different kinds of investments;
    - (C) the expected return on investments; and,
    - (D) financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments;
 must comply with the definition of “**Default Investment Vehicle**” in **Clause 6(K)** of the Trust Deed, as noted in section **B.1** above.
  - 1.3 the Trustee’s policies in relation to the kinds of investments to be held also align to the “**Choosing Investments, II Defined Contributions Section**” section of the main SIP.
  - 1.4 the Trustee’s policies in relation to the balance between different kinds of investments also align with the Trustee's policies set out within the “**Asset Allocation Strategy, II Defined Contributions Section**” section of the main SIP
  - 1.5 the extent to which social, environmental or ethical considerations are

taken into account by the Trustee in the selection, retention and realisation of the Scheme's default arrangements must comply with the definition of "Default Investment Vehicle" in Clause 6(K) of the Trust Deed, as noted in section B.1 above, and are also aligned with the Trustee's policies set out "Environmental Social and Governance considerations" section of the Main SIP.

- 1.6 the Trustee's policy towards risks, including the ways in which risks are to be measured and managed, the Trustee, with the support of its Investment Advisers, monitors the extent to which the default arrangements:
  - (A) preserves the capital value of the relevant Member's Fund; and
  - (B) allows the Trustee to invest the relevant assets in a way which complies with the definition of "**Default Investment Vehicle**" in **Clause 6(K)** of the Trust Deed.
  
- 1.7 the realisation of investments associated with the Scheme's default arrangements is to hold the relevant assets in the default arrangement until:
  - (A) the Trustee receives an Investment Instruction from the member; or
  - (B) in the ordinary course, the investments must be realised to comply with the Trustee's obligations to a member when all or part of the member's benefits from the Scheme:
    - (i) become payable; or
    - (ii) are to be transferred out of the Scheme.

**E. Words and expressions used and other matters**

Unless the context otherwise requires, words and expressions used in this default arrangements SIP have the same meanings as in the Investment Regulations (as amended by the C&G Regulations).

**Agreed and approved by DB Trustee Services Limited as Trustee of the DB (UK) Pension Scheme at the 7 December 2023 Trustee Board meeting. It should be noted that the Trustee consulted with the Company before finalising the SIP.**